November 16, 2026

Consolidated Financial Results (Under IFRS)
For the First Quarter of the March 31, 2027 Fiscal Year

AIR WATER INC.
Head Office: Grand Green Osaka
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(Note: All amounts are rounded down to the nearest million yen.)

1. Results for the Three Months Ended June 30, 2026

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2026	283,309	18.2	13,770	(13.7)	12,247	(21.7)	6,532	(30.6)	6,075	(35.1)	19,084	128.8
Three months ended June 30, 2025	239,698	2.1	15,950	23.7	15,642	18.6	9,409	13.9	9,364	11.5	8,341	(69.4)

	Basic earnings (loss) per share	Diluted earnings (loss) per share
	Yen	Yen
Three months ended June 30, 2026	26.50	26.49
Three months ended June 30, 2025	40.87	40.85

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2026	1,244,095	429,038	408,539	32.8
As of March 31, 2026	1,216,222	420,739	399,797	32.9

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
The fiscal year ended March 31, 2026	—	37.50	—	37.50	75.00
The fiscal year ending March 31, 2027	—				
The fiscal year ending March 31, 2027 (Forecast)		—	—	—	—

(Note) The dividend forecast for the fiscal year ending March 31, 2027 has not yet been determined. Air Water Inc. (hereinafter referred to as the "Company") will promptly disclose the forecast once a reasonable estimate becomes possible, taking into account its new management policy, business strategy, business portfolio review and other relevant factors.

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2027

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The fiscal year	1,140,000	6.9	48,000	—	44,000	—	28,000	—	122.15

(Note) Revision to the most recently announced consolidated operating results forecasts: None

Notes

(1) Significant changes in the scope of consolidation during the current quarter: None

(2) Changes in accounting policies and changes in accounting estimates

a. Changes in accounting policies required by IFRS: None

b. Changes in accounting policies other than (a): None

c. Changes in accounting estimates: None

(3) Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury shares)

As of June 30, 2026: 229,755,057 shares

As of March 31, 2026: 229,755,057 shares

b. Number of shares of treasury shares

As of June 30, 2026: 530,111 shares

As of March 31, 2026: 528,862 shares

c. Average number of shares during the term

First Three months of the fiscal year ending March 31, 2027: 229,225,629 shares

First Three months of the fiscal year ended March 31, 2026: 229,156,837 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (Mandatory)

* Explanations and other special notes concerning the appropriate use of business performance forecasts

・The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors. For matters relating to the forecasts, please, refer to “6-(3) Explanation of future prediction information such as forecast of consolidated operating results”.

4. Qualitative Information on Financial Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

For the current first quarter consolidated cumulative period, the revenue of the Company and its subsidiaries (hereinafter referred to as the "Group") was ¥283,309 million (118.2% of the amount for the corresponding period of the previous year), operating profit was ¥13,770 million (86.3%), and profit attributable to owners of parent was ¥6,075 million (64.9%).

During the current first quarter, in light of the inappropriate accounting treatments identified in the previous fiscal year, we implemented the recurrence prevention measures announced on April 3, 2026, and continued voluntary accounting reviews. In addition, we took actions to address the requirements for the removal of the designation as a Security on Alert imposed by the Tokyo Stock Exchange on May 1, 2026. In carrying out these initiatives, we recorded ¥9,693 million in the first quarter of the current fiscal year as expenses related to external expert support services.

2) Consolidated results by segment for the fiscal year

There have been no changes to the reporting segment classifications in the current fiscal year from those at the end of the previous fiscal year. For year-on-year comparison purposes, segment information for the first quarter of the previous fiscal year has been reclassified according to the reporting segment classifications of the current fiscal year.

(Unit: Million yen)

	Revenue		Segment profit	
	FY 2026.1Q	YoY Growth	FY2026.1Q	YoY Growth
Digital & Industry	82,222	106.3%	8,055	104.2%
Energy Solutions	23,678	111.4%	2,577	129.8%
Health & Safety	89,857	173.7%	7,152	291.9%
Agriculture & Foods	34,655	91.2%	1,952	101.6%
Other Business	52,896	102.9%	3,235	162.8%
（Adjustment）	－	－%	(9,201)	－%
Total	283,309	118.2%	13,770	86.3%

(Note) The adjustment to segment profit is related to the elimination of intersegment transactions and the profit or loss of the Company's head office that is not allocated to individual reportable segments.

<**Digital & Industry**>

Revenue in this segment was ¥82,222 million (106.3% of the amount for the corresponding period of the previous year), and operating profit was ¥8,055 million (104.2%).

In the Industrial Gas Division, performance remained solid, supported by the effects of price management for various industrial gases, including air separation gases, as well as stable helium supply.

In the Gas Products Business, performance remained solid, reflecting an increase in gas supply volumes for steel on-site operations.

In the Digital Business, performance remained strong overall. Against the backdrop of robust demand related to generative AI, sales increased for gas and chemical supplies for advanced semiconductors as well as heat control devices for semiconductor manufacturing equipment. Functional materials for semiconductors also performed steadily, supported by increased sales of O-rings (rubber sealing materials), functional chemicals and circuit materials, as well as continued progress in price management.

In the Global Engineering Business, sales volumes of merchant liquid gases in India increased, supported by the strengthening of the gas supply framework through the gas plant newly established in the previous fiscal year. However, supply volumes to on-site steel customers declined due to unplanned blast furnace shutdowns, resulting in overall performance remaining largely unchanged. In North America, regional industrial gas supply remained firm, however, overall performance was weak due to the tightening supply-demand balance for helium arising from the situation in the Middle East, as well as a decrease in engineering project orders. In the high-output UPS business, DRUPS (Diesel Rotary Uninterruptible Power Supply) performed steadily, with orders expanding across major markets worldwide. However, emergency generators remained weak due to intensifying competition from Chinese manufacturers.

As a result, both revenue and operating profit increased from the corresponding period of the previous fiscal year.

<**Energy solutions**>

Revenue in this segment was ¥23,678 million (111.4% of the amount for the corresponding period of the previous year), and operating profit was ¥2,577 million (129.8%).

In the Energy Solutions Business, performance remained solid due to revisions to selling prices for domestic household LP gas, rising LP gas market prices, and continued expansion of overseas LP gas sales.

In the Green Innovation Business, performance remained steady, supported by efforts to ensure a stable supply of carbon dioxide and hydrogen despite shortages of feedstock gases, as well as the effects of price management. In addition, sales volume of liquefied biomethane remained at the same level as in the corresponding period of the previous fiscal year.

As a result, both revenue and operating profit increased from the corresponding period of the previous fiscal year.

<**Health & Safety**>

Revenue in this segment was ¥89,857 million (173.7% of the amount for the corresponding period of the previous year), and operating profit was ¥7,152 million (291.9%).

In the Medical Products Business, performance remained largely unchanged overall, despite the continued impact of weak demand in hospitals and medical care market. The segment worked to ensure a stable supply of various medical gases, including medical oxygen, while also securing new orders for medical equipment.

In the Safety Business, performance remained solid, supported by steady demand for new construction projects of gas fire extinguishing systems for power-related facilities and data centers. In addition, medical equipment for hospitals remained firm, driven mainly by demand for renovation projects.

In the Home Healthcare Business, price management progressed in the aerosol business. However, the division as a whole remained at the previous year's level, as injection needles and consumer hygiene products were affected by rising procurement costs.

In the Dental Care Business, results benefited from the consolidation of the mail-order business for dental materials and supplies, which was newly included in the scope of consolidation beginning in the third quarter of the previous fiscal year.

As a result, both revenue and operating profit increased from the corresponding period of the previous fiscal year.

<**Agriculture & Foods**>

Revenue in this segment was ¥34,655 million (91.2% of the amount for the corresponding period of the previous year), and operating profit was ¥1,952 million (101.6%).

In the Agriculture Business, sales of agricultural products in Hokkaido progressed steadily in the fresh produce distribution business, although profitability was affected by rising logistics costs. In the fresh produce retail business, the division promoted measures such as streamlining unprofitable stores and expanding into new areas. However, overall performance remained sluggish, reflecting lower sales at existing stores and the impact of rising labor and system costs.

In the Foods Business, performance recovered as efforts were made to strengthen sales of high-value-added ham and delicatessen products and improve production costs at overseas vegetable operations.

In the Beverage Business, contract manufacturing volumes for major customers declined. Nevertheless, performance remained solid due to expanded sales of own-brand products and measures to strengthen cost management.

As a result, revenue decreased year on year, while operating profit increased..

<**Other Business**>

Revenue in this segment was ¥52,896 million (102.9% of the amount for the corresponding period of the previous year), and operating profit was ¥3,235 million (162.8%).

In the Seawater Business, performance remained solid, supported by pricing measures for commercial-use salt in the salt business, which absorbed the impact of rising costs and offset the effects of lower sales in other businesses.

In the Electricity Business, the Onahama Biomass Power Plant was affected by lower operating hours due to output curtailment. Nevertheless, performance remained solid, supported by lower fuel consumption resulting from improvements in fuel efficiency such as fuel moisture content and cost reductions achieved through measures to address vessel waiting times.

In the Specialized Trading Company Business, performance remained solid, driven mainly by increased sales of products for advanced semiconductors and semiconductor manufacturing equipment.

In the Logistics Business, performance remained solid due to expanded handling volumes in food logistics and medical/environmental logistics, as well as progress in optimizing contract prices with major customers.

As a result, both revenue and operating profit increased from the corresponding period of the previous fiscal year.

(2) Explanation of financial position for the current period

Total assets at the end of the current first quarter consolidated fiscal year stood at ¥1,244,095 million, an increase of ¥27,873 million from the end of the previous consolidated fiscal year, due mainly to an increase in retirement benefit asset and income taxes receivable. Liabilities stood at ¥815,057 million, an increase of ¥19,574 million from the end of the previous consolidated fiscal year, due mainly to an increase in bonds and borrowings. Equity stood at ¥429,038 million, an increase of ¥8,299 million from the end of the previous consolidated fiscal year, due mainly to an accumulation of profit attributable to owners of the parent.

Equity attributable to owners of parent per share grew from ¥1,744.12 at the end of the previous consolidated fiscal year to ¥1,782.26, and the ratio of equity attributable to owners of parent to total assets changed to 32.8% from 32.9% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the first quarter of the current fiscal year, after deducting income taxes paid from profit before tax, depreciation and other items, were an inflow of ¥7,209 million, reflecting a decrease of ¥13,630 million from the same period of the previous fiscal year.

Cash flows from investing activities for the first quarter of the current fiscal year were an outflow of ¥13,362 million, reflecting a decrease in the outflow of ¥6,846 million from the same period of the previous fiscal year, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment.

Cash flows from financing activities for the first quarter of the current fiscal year were an inflow of ¥7,754 million, reflecting an increase of ¥17,612 million from the same period of the previous fiscal year, due mainly to an increase in proceeds from short-term borrowings, despite a decrease in proceeds from long-term borrowings.

As a result, cash and cash equivalents at the end of the first quarter of the current fiscal year stood at ¥88,342 million, an increase of ¥24,084 million from the end of the first quarter of the previous consolidated fiscal year.

(3) Explanation of future prediction information such as the forecast of consolidated operating results

Our full-year operating results forecasts remain unchanged from the forecasts announced on July 31, 2026.

5. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: Million yen)

	End of the previous fiscal year (As of March 31, 2026)	End of the first quarter of the fiscal year (As of June 30, 2026)
Assets		
Current assets		
Cash and cash equivalents	87,139	88,342
Trade and other receivables	206,928	201,521
Inventories	121,761	126,692
Other financial assets	7,228	7,251
Income taxes receivable	2,333	9,089
Other current assets	40,587	45,126
Subtotal	465,979	478,023
Assets held for sale	386	8,360
Total current assets	466,366	486,384
Non-current assets		
Property, plant and equipment	506,833	502,052
Goodwill	51,707	52,506
Intangible assets	30,808	30,522
Investments accounted for using equity method	32,684	32,672
Retirement benefit asset	5,366	13,386
Other financial assets	111,347	116,230
Deferred tax assets	8,353	7,772
Other non-current assets	2,754	2,568
Total non-current assets	749,856	757,711
Total assets	1,216,222	1,244,095

	End of the previous fiscal year (As of March 31, 2026)	End of the first quarter of the fiscal year (As of June 30, 2026)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	173,432	165,085
Bonds and borrowings	177,019	206,587
Other financial liabilities	11,233	11,835
Income taxes payable	8,300	6,477
Provisions	2,745	2,750
Other current liabilities	41,699	43,144
Subtotal	414,429	435,882
Liabilities directly associated with assets held for sale	264	3,718
Total current liabilities	414,693	439,601
Non-current liabilities		
Bonds and borrowings	291,436	281,335
Other financial liabilities	41,600	41,375
Retirement benefit liability	5,496	6,336
Provisions	22,821	23,149
Deferred tax liabilities	12,735	16,567
Other non-current liabilities	6,698	6,691
Total non-current liabilities	380,789	375,456
Total liabilities	795,483	815,057
Equity		
Share capital	55,855	55,855
Capital surplus	46,025	45,950
Treasury shares	(714)	(715)
Retained earnings	223,269	226,562
Other components of equity	75,360	80,886
Total equity attributable to owners of parent	399,797	408,539
Non-controlling interests	20,942	20,499
Total equity	420,739	429,038
Total liabilities and equity	1,216,222	1,244,095

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed Quarterly consolidated statement of profit or loss
Cumulative first quarter of the consolidated fiscal year

(Unit: Million yen)

	Three months ended June 30, 2025	Three months ended June 30, 2026
Revenue	239,698	283,309
Cost of sales	(183,134)	(209,803)
Gross profit	56,563	73,506
Selling, general and administrative expenses	(42,457)	(59,197)
Other income	1,456	1,284
Other expenses	(885)	(2,327)
Share of profit of investments accounted for using equity method	1,272	504
Operating profit	15,950	13,770
Finance income	1,500	944
Finance costs	(1,808)	(2,467)
Profit before tax	15,642	12,247
Income tax expense	(6,233)	(5,715)
Profit	9,409	6,532
Profit attributable to		
Owners of parent	9,364	6,075
Non-controlling interests	44	457
Profit	9,409	6,532

(Unit: Yen)

Earnings per share		
Basic earnings (loss) per share	40.87	26.50
Diluted earnings (loss) per share	40.85	26.49

Condensed quarterly consolidated statement of comprehensive income
Cumulative first quarter of the consolidated fiscal year

(Unit: Million yen)

	Three months ended June 30, 2025	Three months ended June 30, 2026
Profit	9,409	6,532
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	4,683	2,100
Remeasurements of defined benefit plans	26	5,600
Share of other comprehensive income of investments accounted for using equity method	12	68
Total of items that will not be reclassified to profit or loss	4,722	7,769
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,579)	2,121
Cash flow hedge	(2,023)	2,659
Share of other comprehensive income of investments accounted for using equity method	(186)	1
Total of items that may be reclassified to profit or loss	(5,790)	4,782
Total other comprehensive income	(1,067)	12,551
Comprehensive income	8,341	19,084
Comprehensive income attributable to		
Owners of parent	8,762	18,184
Non-controlling interests	(420)	899
Comprehensive income	8,341	19,084

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2025

(Unit: Million yen)

	Equity attributable to owners of parent					
	Capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2025	55,855	47,723	(808)	290,533	—	24,655
Profit	—	—	—	9,364	—	—
Other comprehensive income	—	—	—	—	26	(3,726)
Comprehensive income	—	—	—	9,364	26	(3,726)
Purchase of treasury shares	—	—	(0)	—	—	—
Disposal of treasury shares	—	0	1	—	—	—
Dividends	—	—	—	(9,853)	—	—
Share-based payment transactions	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	113	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	—	—	—
Increase (decrease) by mergers	—	—	—	(17)	—	—
Transfer from other components of equity to retained earnings	—	—	—	87	(26)	—
Transfer to non-financial assets	—	—	—	—	—	—
Total transactions with owners	—	114	1	(9,783)	(26)	—
Balance as of June 30, 2025	55,855	47,837	(807)	290,114	—	20,928

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Net change in fair value of financial assets measured through other comprehensive income	Cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2025	14,846	9,277	133	48,911	442,215	16,008	458,224
Profit	—	—	—	—	9,364	44	9,409
Other comprehensive income	4,661	(1,564)	—	(602)	(602)	(465)	(1,067)
Comprehensive income	4,661	(1,564)	—	(602)	8,762	(420)	8,341
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	—	—	—	2	—	2
Dividends	—	—	—	—	(9,853)	(370)	(10,224)
Share-based payment transactions	—	—	(2)	(2)	(2)	—	(2)
Increase (decrease) due to changes in equity	—	—	—	—	113	(4,027)	(3,913)
Increase (decrease) due to new consolidation	—	—	—	—	—	(7)	(7)
Increase (decrease) by mergers	—	—	—	—	(17)	—	(17)
Transfer from other components of equity to retained earnings	(60)	—	—	(87)	—	—	—
Transfer to non-financial assets	—	(511)	—	(511)	(511)	(63)	(574)
Total transactions with owners	(60)	(511)	(2)	(601)	(10,269)	(4,468)	(14,738)
Balance as of June 30, 2025	19,446	7,201	130	47,708	440,708	11,119	451,827

Three months ended June 30, 2026

(Unit: Million yen)

	Equity attributable to owners of parent					
	Capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2026	55,855	46,025	(714)	223,269	－	27,849
Profit	－	－	－	6,075	－	－
Other comprehensive income	－	－	－	－	5,600	2,202
Comprehensive income	－	－	－	6,075	5,600	2,202
Purchase of treasury shares	－	－	(0)	－	－	－
Disposal of treasury shares	－	－	－	－	－	－
Dividends	－	－	－	(8,595)	－	－
Share-based payment transactions	－	－	－	－	－	－
Increase (decrease) due to changes in equity	－	(75)	－	－	－	－
Increase (decrease) due to new consolidation	－	－	－	－	－	－
Increase (decrease) by mergers	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	－	－	－	5,812	(5,600)	－
Transfer to non-financial assets	－	－	－	－	－	－
Total transactions with owners	－	(75)	(0)	(2,783)	(5,600)	－
Balance as of June 30, 2026	55,855	45,950	(715)	226,562	－	30,052

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Net change in fair value of financial assets measured through other comprehensive income	Cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2026	32,154	15,238	118	75,360	399,797	20,942	420,739
Profit	—	—	—	—	6,075	457	6,532
Other comprehensive income	2,245	2,060	—	12,109	12,109	442	12,551
Comprehensive income	2,245	2,060	—	12,109	18,184	899	19,084
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	(8,595)	(270)	(8,866)
Share-based payment transactions	—	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	—	—	—	(75)	(936)	(1,011)
Increase (decrease) due to new consolidation	—	—	—	—	—	—	—
Increase (decrease) by mergers	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	(212)	—	—	(5,812)	—	—	—
Transfer to non-financial assets	—	(770)	—	(770)	(770)	(136)	(907)
Total transactions with owners	(212)	(770)	—	(6,583)	(9,442)	(1,342)	(10,785)
Balance as of June 30, 2026	34,187	16,527	118	80,886	408,539	20,499	429,038

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: Million yen)

	Three months ended June 30, 2025	Three months ended June 30, 2026
Cash flows from operating activities		
Profit before tax	15,642	12,247
Depreciation and amortization	12,978	13,843
Impairment loss	518	567
Gain on bargain purchase	(166)	―
Interest and dividend income	(1,126)	(681)
Interest expenses	1,349	1,839
Share of loss (profit) of investments accounted for using equity method	(1,272)	(504)
Loss (gain) on sale and retirement of fixed assets	(9)	88
Decrease (increase) in trade and other receivables	19,535	6,916
Decrease (increase) in inventories	(5,078)	(4,324)
Increase (decrease) in trade and other payables	(12,977)	(8,001)
Decrease (increase) in contract assets	1,646	(1,382)
Increase (decrease) in contract liabilities	7,742	4,655
Other	(5,357)	(3,175)
Subtotal	33,424	22,091
Interest received	191	25
Dividends received	1,165	1,115
Interest paid	(1,174)	(1,847)
Income taxes paid	(12,766)	(14,176)
Net cash provided by (used in) operating activities	20,840	7,209
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,946)	(13,531)
Proceeds from sale of property, plant and equipment	142	925
Purchase of intangible assets	(359)	(318)
Purchase of investment securities	(272)	(14)
Proceeds from sale of investment securities	461	240
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(96)	―
Payments for loans receivable	(1)	(389)
Collection of loans receivable	44	54
Other	(182)	(329)
Net cash provided by (used in) investing activities	(20,209)	(13,362)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,142	30,417
Proceeds from long-term borrowings	13,763	3,490
Repayments of long-term borrowings	(5,043)	(4,837)
Redemption of bonds	(10)	(10,000)
Additional purchase of shares of subsidiaries	(3,913)	(1,012)
Proceeds from sale and leaseback transactions	101	―
Repayments of lease liabilities	(1,869)	(1,562)
Dividends paid	(9,138)	(8,468)
Dividends paid to non-controlling interests	(370)	(270)
Redemption of preferred shares	(6,522)	―
Other	1	(0)
Net cash provided by (used in) financing activities	(9,857)	7,754
Impact of exchange fluctuations on cash and cash equivalents	257	(382)
Net increase (decrease) in cash and cash equivalents	(8,969)	1,219
Cash and cash equivalents at beginning of period	73,227	87,139
Net increase (decrease) in cash and cash equivalents included in assets held for sale	―	(16)
Cash and cash equivalents at end of period	64,257	88,342

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Reporting Company)

Air Water Inc. (hereinafter referred as to the "Company") is a joint-stock company located in Japan. The registered address of the head office of the Company is in Kita-ku, Osaka-shi.

The condensed quarterly consolidated financial statements of the Company and its subsidiaries (hereinafter referred as to the "Group") closes on June 30 and consists of equity interests of the Group and its affiliates and joint control agreement.

The Group operates manufacture and sale in the segments, Digital & Industry, Energy Solutions, Health & Safety, Agriculture & Foods, and Other Business. See the section, “Segment Information” for the details of each business.

(Basis of Preparation)

(1) Applicable Financial Reporting Framework

The Group’s condensed quarterly consolidated financial statements have been prepared in accordance with Article 5, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc., with the omissions specified in Article 5, Paragraph 5 of the Standards applied.

(2) Basis of Measurement

The condensed quarterly consolidated financial statements of the Group are prepared based on acquisition costs except for retirement benefit liability (assets) and financial instruments, etc. measured at fair value.

(3) Functional Currency and Presentation Currency

The monetary amounts in the condensed quarterly consolidated financial statements are presented in units of yen, the functional currency of the Company. All financial data presented in Japanese yen are rounded down to the nearest million yen.

(4) Important Accounting Estimates and Decisions Involving Estimates

In the preparation of the Group’s condensed quarterly consolidated financial statements, the management must make decisions, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. The actual results may vary from such estimates.

Estimates and assumptions that become the basis of estimates are reviewed continuously. The impact of a revision of accounting estimates is recognized during the accounting period in which the estimates are revised and future accounting periods that will be affected.

The important accounting estimates and decisions involving estimates in this condensed quarterly consolidated financial statement are the same as those in the consolidated financial statement for the accounting year ended March 31, 2026.

(5) Changes in Presentation

(Related to the Condensed Quarterly Consolidated Statement of Cash Flows)

Due to an increase in materiality, “Payments for loans receivable”, which had been included in “Other” under “Cash flows from investing activities” in the previous first-quarter consolidated cumulative period, are presented separately from the current quarterly consolidated accounting period.

In addition, due to an increase in materiality, “Redemption of bonds”, which had been included in “Other” under “Cash flows from financing activities” in the previous first-quarter consolidated accounting period, is presented separately from the current quarterly consolidated accounting period.

To reflect these changes in presentation, the condensed quarterly consolidated statement of cash flows for the previous first-quarter consolidated accounting period has been reclassified.

As a result, the amount of ¥(1) million, which had been included in “Other” under “Cash flows from investing activities” in the condensed quarterly consolidated statement of cash flows for the previous first-quarter consolidated accounting period, has been reclassified as “Payments for loans receivable”.

In addition, the amount of ¥(10) million, which had been included in “Other” under “Cash flows from financing activities” in the condensed quarterly consolidated statement of cash flows for the previous first-quarter consolidated accounting period, has been reclassified as “Redemption of bonds”.

(Significant Accounting Policies)

The accounting principles that the Group applies to the condensed quarterly consolidated financial statements are the same as the accounting principles applied to the consolidated financial statements for the consolidated fiscal year ended March 31, 2026.

(Additional Information)

Impact of the Restatement Due to Correction of Prior-Period Errors

In connection with the corrections to the securities reports and other documents previously filed by the Company, the Company may be subject to investigations by the relevant authorities and an administrative monetary penalty payment order for potential violations of disclosure requirements under the Financial Instruments and Exchange Act. If any such investigation is conducted, the Company will respond appropriately, including by fully cooperating with the relevant authorities. At present, however, it is difficult to reasonably estimate the impact of this matter on the financial position and financial performance of the Group. Accordingly, no provision has been recognized in the consolidated financial statements.

Investigation-Related Expenses and Expenses Related to Corrections to Prior-Period Financial Results

The Group identified inappropriate accounting treatments in connection with its financial results for the second quarter (interim period) of the fiscal year ended March 31, 2026. As a result, the Group has incurred expenses related to the investigation conducted by the Special Investigating Committee, which was composed of independent external experts, including attorneys and certified public accountants, as well as expenses related to corrections to prior-period financial results. The Company received an additional investigation report from the Special Investigating Committee on June 19, 2026. The Group has also incurred expenses for support provided by external experts in considering recurrence prevention measures centered on the following four areas: “Reform of Corporate Culture”, “Governance Reform”, “Rebuilding of the Management Infrastructure and Internal Control”, and “Review of Group-wide Strategy (Business Portfolio)”, as well as in preparing the Improvement Plan and Status Report. The Group recognized ¥9,693 million of these expenses in selling, general and administrative expenses during the first-quarter consolidated cumulative period of the fiscal year ending March 31, 2027. However, as improvement initiatives supported by external experts are ongoing, the final amount of expenses to be recognized is expected to increase.

Inappropriate Accounting Treatments

In July 2025, the Company discovered inappropriate accounting treatments related to inventories at Nippon Helium Inc., a consolidated subsidiary of the Company. Subsequently, in September 2025, as the Company continued its internal investigation, inappropriate accounting treatments related to inventories, stored goods and other items were also identified at Air Water Ecoroca Inc. and Air Water Mechatronics Inc., both consolidated subsidiaries of the Company, as well as at the Company’s Plant Gas Division. In the course of audit procedures performed by the accounting auditor, the Company also received indications regarding these accounting treatments. In response to these circumstances, the Company had been conducting an internal investigation led by an outside Audit & Supervisory Board member, with support from outside attorneys and certified public accountants. However, as the possibility of involvement by the Company’s officers and employees in the above four cases emerged, and as it became necessary to conduct a further sufficient investigation into whether similar incidents had occurred at the Company or other Group companies, the Company established a Special Investigating Committee composed of external experts on October 9, 2025.

Thereafter, the Company received an investigation report from the Special Investigating Committee on February 12, 2026 (as of February 9, 2026), an investigation report on March 31, 2026, and an additional investigation report on June 19, 2026. As a result, it was found that, against the backdrop of excessive pressure from the Company’s top management to achieve sales or profit targets, various inappropriate accounting treatments had been widely conducted at the Company and a significant number of its subsidiaries and associates for the purpose of inflating sales and profits. These treatments included overstatement of inventories, deferral of losses on valuation of assets, overstatement and premature recording of sales, inflation of sales by interposing unnecessary business partners, avoidance of recording provisions, and capitalization of expenditures that do not meet asset recognition criteria. In particular, at Air Water Safety Service Inc., in addition to inappropriate accounting treatments such as overstatement of work in process, manipulation of the timing of revenue recognition, and profit manipulation through transfers of costs, falsification of supporting documents was conducted to conceal these inappropriate accounting treatments. In addition, at NIHON KAISUI CO., LTD., inappropriate accounting treatments were conducted, including arbitrary capitalization of periodic repair costs for plant facilities and labor costs, gross presentation of sales for agent transactions that should have been presented on a net basis, and cost transfers between business divisions.

Based on the investigation results of the Special Investigating Committee, the Company conducted additional voluntary internal reviews regarding the appropriateness of accounting treatments in prior periods. As a result, additional matters were newly identified, including omissions in the recognition of impairment losses on property, plant and equipment arising from corrections of inappropriate accounting treatments, and omissions in the recognition of valuation losses on investments in and loans to affiliates. Accordingly, the Company determined that it was necessary to retrospectively correct misstatements arising from these inappropriate accounting treatments in the consolidated financial statements and other financial information included in the annual securities reports, semiannual reports and quarterly reports previously submitted, and has submitted amendment reports to the relevant annual securities reports and other reports.

Of these corrections, the amounts of corrections to misstatements related to revenue were ¥(16,013) million for the previous first-quarter consolidated accounting period, of which ¥(16,059) million related to corrections to net presentation and ¥(976) million related to corrections to period attribution. The transactions subject to correction were numerous. In addition, with respect to Air Water Safety Service Inc., where falsification of supporting documents was conducted to conceal inappropriate accounting treatments, revenue and cost of sales of the company included in the condensed first-quarter consolidated financial statements were ¥3,793 million and ¥3,192 million, respectively, for the previous first-quarter consolidated accounting period.

(Segment Information)

(1) Overview of Reportable Segments

The Group's reportable segments are components of the Group for which separate financial information is available and is evaluated regularly by the Board of Directors in determining the allocation of management resources and in assessing performance.

The Group plans comprehensive strategies for each product and service and operates its business activities.

Therefore, the Group consists of operating segments for each product and service, and has five reportable segments, including "Digital & Industry," "Energy Solutions," "Health & Safety," "Agriculture & Foods," and "Other Businesses."

The Digital & Industry segment primarily manufactures and sells industrial gases including oxygen, nitrogen and argon, and also manufactures and sells functional materials. In addition, the segment operates overseas industrial gas businesses in North America, India and elsewhere, and a business supplying high-output uninterruptible power sources (UPS).

The Energy Solutions segment primarily sells LP gas and kerosene, and also manufactures and sells LNG-related equipment, carbon dioxide and hydrogen.

The Health & Safety segment primarily manufactures and sells oxygen and other medical gases, dental and hygiene materials, hypodermic needles, aerosol products and other items, and also provides services including hospital facility construction, hospital services and home medical care.

The Agriculture & Foods segment primarily processes and distributes vegetables and fruits, manufactures and sells frozen food and processed meat products, and operates contract manufacturing of soft drinks.

The Other Businesses segment consists of the logistics business, which provides logistics services for general cargo, food, medical supplies and environmental products, the seawater business, which manufactures and sells commercial use salt and magnesia products, a woody biomass power generation business, and an electronics-related trading business.

(2) Matters Regarding Changes in Reportable Segments

Effective from the previous interim consolidated accounting period, the logistics business, which had previously been classified under “Agriculture & Foods,” was reclassified under “Other Business.”

Segment information for the previous first-quarter consolidated cumulative period has been prepared based on the revised reportable segment classification.

(3) Information about the Amounts of Revenue and Profit or Loss by Reportable Segment

The accounting method of the reported operating segments is the same as the accounting method used to prepare the consolidated financial statements.

The profit figures of the reportable segments are operating profit. Intersegment revenue and transfers are presented based on prevailing market prices.

Three months ended June 30, 2025

(Unit: Million yen)

	Reportable Segment						Adjustment (Notes)	Quarterly consolidated statements of income
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Business	Total		
Revenue								
Revenue from outside customers	77,321	21,253	51,743	37,986	51,394	239,698	—	239,698
Intersegment revenue and transfer	2,570	2,467	195	188	2,811	8,233	(8,233)	—
Total	79,891	23,720	51,939	38,175	54,205	247,932	(8,233)	239,698
Segment profit	7,730	1,985	2,450	1,920	1,987	16,074	(124)	15,950
Finance income								1,500
Finance costs								(1,808)
Profit before tax								15,642

(Notes)1. The adjustment item of ¥(8,233) million of intersegment revenue and transfers is elimination of intersegment transactions.

2. The adjustment of ¥(124) million to segment profit is related to the elimination of intersegment transactions and the profit or loss of the Company's head office that is not allocated to individual reportable segments.

Three months ended June 30, 2026

(Unit: Million yen)

	Reportable Segment						Adjustment (Notes)	Quarterly consolidated statements of income
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Business	Total		
Revenue								
Revenue from outside customers	82,222	23,678	89,857	34,655	52,896	283,309	—	283,309
Intersegment revenue and transfer	1,695	1,912	267	107	2,841	6,824	(6,824)	—
Total	83,917	25,590	90,124	34,763	55,737	290,133	(6,824)	283,309
Segment profit	8,055	2,577	7,152	1,952	3,235	22,972	(9,201)	13,770
Finance income								944
Finance costs								(2,467)
Profit before tax								12,247

(Notes)1. The adjustment item of ¥(6,824) million of intersegment revenue and transfers is elimination of intersegment transactions.

2. The adjustment of ¥(9,201) million to segment profit is related to the elimination of intersegment transactions and the profit or loss of the Company's head office that is not allocated to individual reportable segments.

(Significant Subsequent Events)

(Significant Borrowings)

Based on the resolution of the Board of Directors held on January 30, 2026, the Company entered into a syndicated commitment line agreement totaling ¥113,000 million on February 12, 2026, for the purpose of securing flexible and stable financing methods to ensure working capital and stabilize its financial base. The Company executed borrowings under this commitment line agreement as follows.

Lender	Borrowing amount	Interest rate	Drawdown date	Borrowing period	Collateral
Sumitomo Mitsui Trust Bank, Limited	¥17,000 million	Base rate + spread	July 29, 2026	One month	None
Sumitomo Mitsui Trust Bank, Limited	¥13,000 million	Base rate + spread	August 31, 2026	One month	None
Sumitomo Mitsui Trust Bank, Limited	¥15,000 million	Base rate + spread	September 30, 2026	One month	None
Sumitomo Mitsui Trust Bank, Limited	¥15,000 million	Base rate + spread	October 30, 2026	One month	None